

Thanks to a clever marketing strategy and a premium product, investments by Colombian coffee growers have improved healthcare, education, and infrastructure throughout their country

Commitment to Quality



by Michael P. Ryan and Sarah E. Huisentruijt

MANY PEOPLE KNOW COLOMBIAN COFFEE for its rich flavor and aroma. Fewer people know that 375,000 coffee growers have established a governance structure—the National Federation of Coffee Growers of Colombia (Federación Nacional de Cafeteros de Colombia)—that enables their advertising, marketing, and quality management programs. Still fewer people know that this same governance structure makes possible many good works of social responsibility benefiting communities throughout Colombia.

In 1960 the coffee federation hired a New York-based firm to design a new advertising strategy for Colombian coffee growers. They came up with “Juan Valdez” as the personification of the typical Colombian coffee grower: a humble man of modest means who was committed, like his father before him, to the family tradition of growing only the finest coffee. Marketers soon paired the human face of their brand with the identifier “100% Café de Colombia” and the slogan “the richest coffee in the world.” This advertising campaign was carried out in the United



States from the early 1960s to the early 1980s. Over the years, Colombian coffee has achieved a remarkable and positive identification in consumer minds. It is consistently recognized among the top five brands in American consumer surveys.

This marketing campaign has yielded price premiums of at least ten cents per pound for Colombian coffee growers for decades. Grower Carlos Augusto Ruiz thanked the Federation for its efforts when the growers gathered at their eightieth National Coffee Congress in Medellín in June 2007, saying: “We are young coffee growers from La Arabia group and we have benefited from your support.”

Beginning in the early 1980s the coffee federation initiated a marketing strategy that would encourage roasters to stop blending coffee beans from other countries with Colombian beans. The immediate goal of the campaign was to get roasters to sell Colombian beans exclusively as the main differentiator of their product. With this strategy, the Federation was investing in advertising to American coffee consumers not only for its own benefit but also to the benefit of roasters and distributors. Together, their brands would



The dedication of Colombian coffee growers to achieving the world's best coffee starts in the field, with careful selection of both red and green coffee berries, above and opposite

carry the cachet with consumers that would result in premium retail prices.

The Federation uses quality assurance as a key way of separating Colombian coffee from the exports of other countries. The Colombians established a coffee quality office that sets standards and organizes a system of 25 national inspection centers around the country and three inspection centers at the ports. Federation inspectors are tasked with ensuring that the quality of the beans that go to the importers matches the brand's image. Each exporter's bag of beans is inspected for quality and the grower is paid according to the level of quality.

In order to seek constant quality improvement in the growing, harvesting, and transporting aspects of their business, the Colombians have also established a research center and an extension service. *Cenicafe* is the Federation's coffee research center. It is recognized as a world leader for accumulating the collective learning of its growers and applying the newest knowledge from the science and technology of agronomy. Local coffee growers go to local extension services for advice regarding growing, harvesting, quality control, and problem-solving. Grower Luis Eduardo Norena says that "the extension service is very important for us coffee growers because it enables us to be more competitive and productive." Another grower, César Guajira, says, "Implementing growing techniques on my farm has made



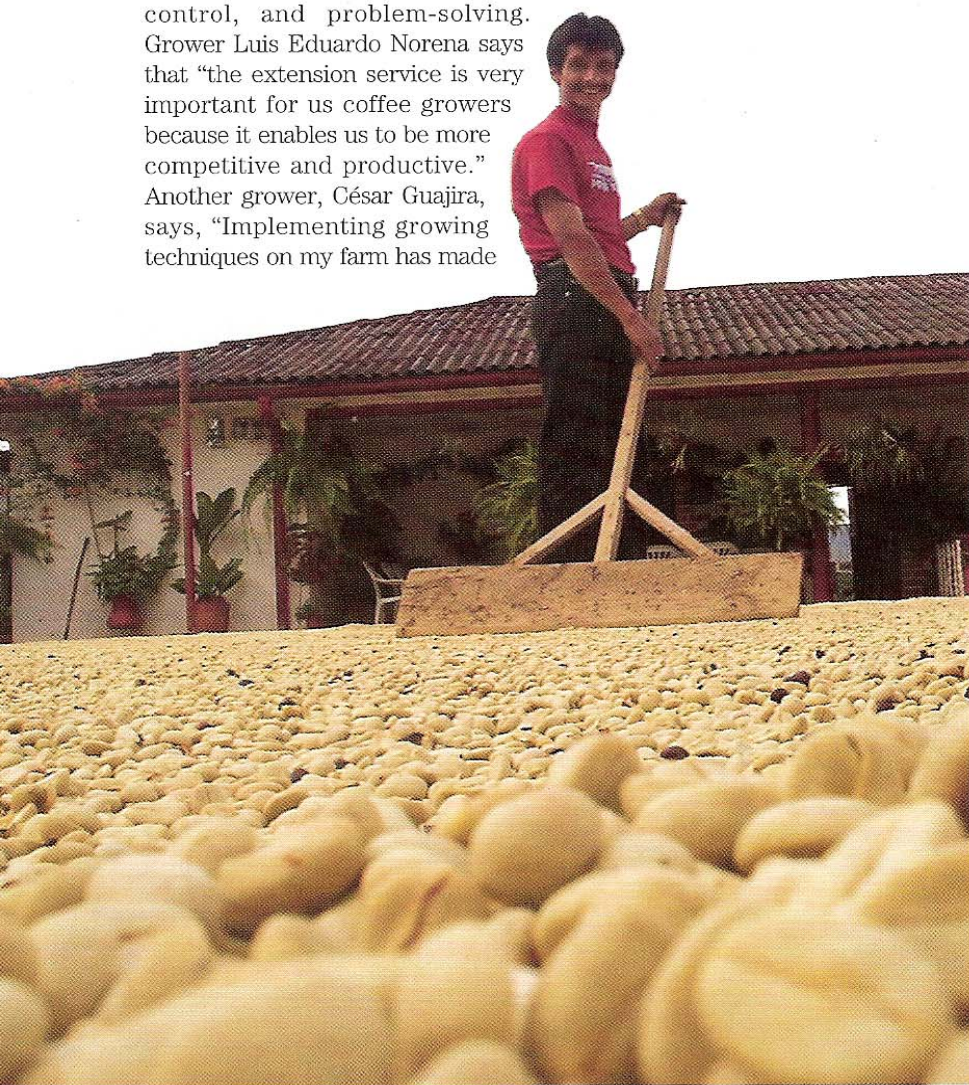
my family and me very happy." The Federation employs some 800 trained agronomists and technicians to assist growers. Colombians recently realized that their research center was actually advancing the state of coffee technology, so it has initiated patent management processes with the assistance of outside patent counsel. It is also considering a technology licensing strategy to derive additional revenue for its growers while disseminating its know-how to growers around the world.

Brand recognition and consumer respect for the quality of Colombian coffee provided opportunities for the coffee federation that were unprece-

dentented among developing country coffee exporters. The Federation established coffee cafes in Colombia, the United States, and Europe and a coffee drink distributed in 11,000 retail outlets in the United States. The Colombian marketing strategy now goes beyond the association of their beans with quality; it aims to encourage consumers to seek the *caficultura* of Colombia. But Federation CEO Gabriel Silva Lujan explains the strategy this way: "A pound of green Colombian coffee is worth US\$1.20; but, when served in cappuccinos in New York, it can generate US\$98.00" (*El Colombiano*, June 2007). In the past, the Federation's marketing goal was to reward local growers with the highest possible prices for their beans; now the goal is to also reap the higher profits that come in the specialty coffee market.

The premium prices earned in the global coffee marketplace by the Colombian coffee growers allow them to use the Federation as a development organization for their country and their communities. Since 1965, the coffee growers have worked through the Federation to make substantial investments in their country in health care, education, and transportation infrastructure. In health care, the Federation has supported: the construction of more than 180 clinics and 200 rural health centers; vaccinations for 681,000 children; sight and hearing tests for 241,000 children; assistance to 320,000 pregnant women; education on good health, environmental responsibilities, and conflict resolution for 106,000 people; and education on oral health practices for 590,000 children. José Reynel Cardona says, "My family and I are very happy because when we are sick we can go to the local health center."

Federation funds have helped build 6,000 schools with 17,000 classrooms for 360,000 children and have contributed to the construction of 5,000 housing facilities for teachers. The result is that nearly 80 percent of households in coffee-growing areas have access to local primary schools and that literacy levels in these areas are substantially higher than the national average. "We built this school with your help," says Margarita López of Escuela Anatoli. "Now our children will have a better future." Federation funds in the coffee-growing areas of Colombia have also helped pave 10,000 miles of roads, build 3,000 bridges, and con-



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struct 6,000 rural water systems. "Today we have better roads and sanitation services. Our lives have improved." These good community works are made possible by the coffee profits that are made possible by the skillful advertising, marketing, and quality management carried out by the Federation on behalf of its members.

All this is made possible by the governance structures and processes of the Colombian coffee federation. Colombians estimate that there are some 560,000 coffee growers producing in some 550 of the 1,000+ municipalities in Colombia. About 375,000 of these growers are members of the Federation. Maintaining legitimacy among this many growers—who must all believe that they have been compensated fairly for their coffee beans and trust that their financial resources are being well spent—is the real achievement of the Federation, and it is in large part attributable to its structures. In the Federation, members in over 350 municipalities vote for their local committee representatives. The local committees meet once a month, and the minutes of the meetings are available to the membership. Growers also elect their regional representatives who meet every Monday morning in the fifteen regional centers. These regional representatives attend the National Coffee Congress, which meets in Bogotá annually.

One representative from each region is elected to serve on the fifteen-member board of directors, which meets two times a month in Bogotá at the Federation headquarters. The CEO of the Federation is hired by



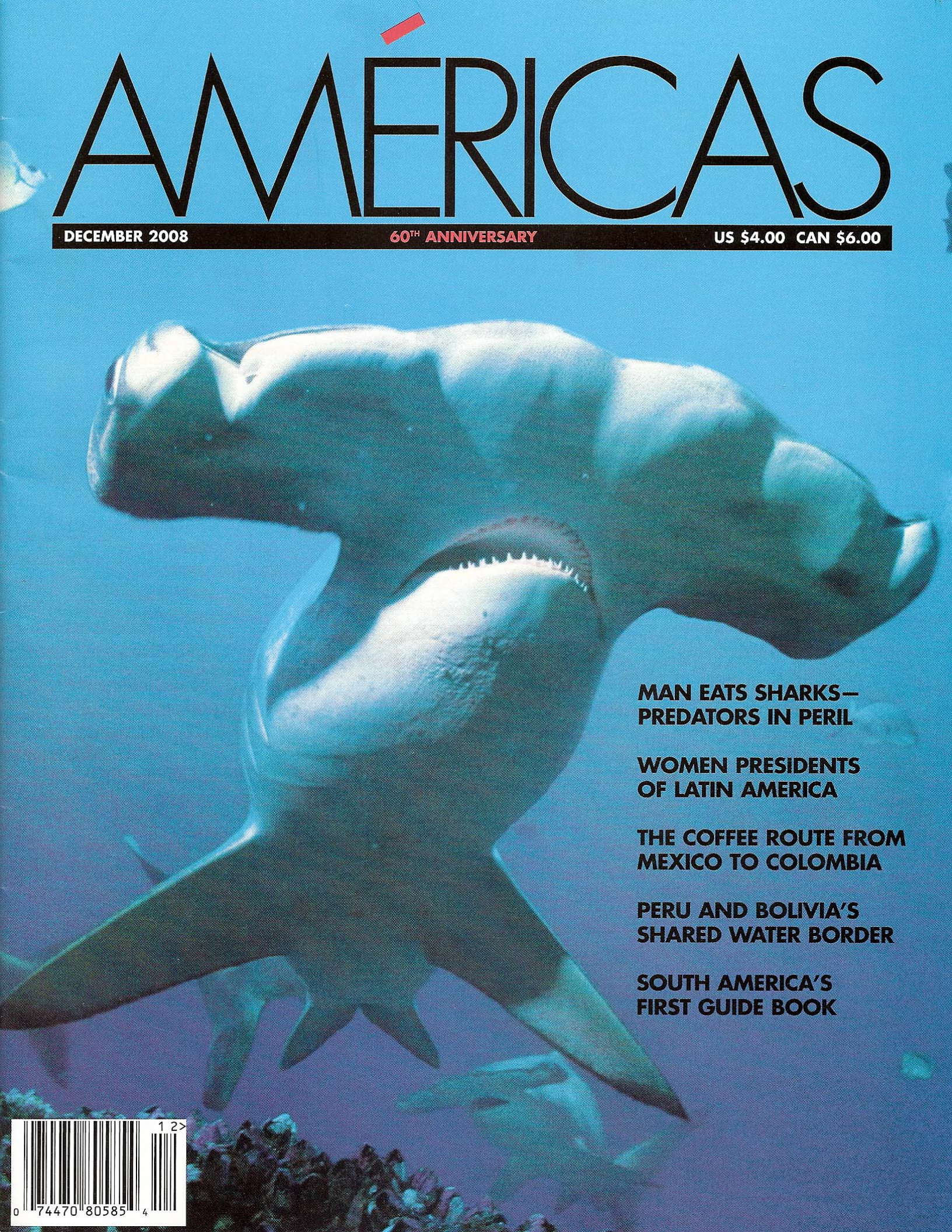
Once the coffee berries are harvested, opposite above, they are fermented for 24-36 hours. After the fermentation process, the beans are spread outside on patios to begin drying, opposite bottom, before being placed into roasters where they dry uniformly, above. Below, an extension agent addresses a group of local coffee growers

the National Coffee Congress and reports to the board. He or she is therefore accountable to the growers themselves. "It is called a federation and not an association because it really is a federation," says a Federation manager. "The growers really have the say in how we operate." In this way, participation and transparency, the hallmarks of accountability and legitimacy, are designed into the governance of the Federation.

In many developing countries, commodity exporters struggle to find ways to earn better returns on their investments in order to provide for their families and communities. The National Federation of Coffee Growers of Colombia has long been admired for achieving coffee bean price premiums in the global marketplace. The Colombian federation is now carrying out a marketing strategy that provides new business models for commodity producers in the Americas and beyond. What can now be appreciated is that the success of Colombia's brand and quality management is ultimately due to governance structures and processes that encourage coffee growers around the country to truly stand behind their product.

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